

Indiana

Department of Local Government Finance



Committed to a fair and equitable property tax system for Hoosier taxpayers.

Public Hearing on Reassessment of Real Property in Delaware County

Department of Local Government Resolution #2007-04

August 8, 2007



Agenda

- o **Public hearing will run from 9:30 a.m. – 12 p.m. (noon)**
- o **The Need For Reassessment Of Real Property**
 - o Accuracy and Equity
 - o Lack of Adjustments to Commercial and Industrial Properties
- o **How The Reassessment Will Be Handled**
 - o Securing a Vendor
 - o Commercial and Industrial Properties
 - o Residential Properties
- o **Opportunity For Public Comments**
 - o Elected/Appointed Delaware County Officials
 - o Floor will be open for public comment
 - o **Please note that each speaker is limited to 3 minutes for comments**



Opening Comments

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The Need For Reassessment Of Real Property

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The Need for Reassessment of Real Property

1) Accuracy of Assessments

Accuracy refers to how close the assessments determined by local assessing officials are to market value-in-use.

2) Equity of Assessments

Equity refers to how uniform assessments are within a class of property or geographic area.



The Need for Reassessment of Real Property

3) Regressivity/Progressivity of Assessments

Assessments sometimes result in unequal tax burdens between high- and low-value properties within the same property class.



The Need for Reassessment of Real Property

- o Accuracy, equity, and regressivity or progressivity of assessments are measured by conducting a statistical analysis known as an assessment-to-sales ratio study.
- o The basic statistic in an assessment-to-sales ratio study is an assessment ratio.

$$\text{Assessed Value} \div \text{Sale Price} = \text{Ratio}$$



The Need for Reassessment of Real Property

- o In Indiana, the assessment ratio for all properties is to be 100%.

$$\text{Assessed Value} \div \text{Sale Price} = \text{Ratio}$$

Example 1: $\$60,000 \div \$60,000 = 100\%$

Example 2: $\$54,000 \div \$60,000 = 90\%$

Example 3: $\$66,000 \div \$60,000 = 110\%$



The Need for Reassessment of Real Property

- o Using these ratios from sold properties and grouping them by township and class, an assessment-to-sales ratio study determines if assessments are accurate, equitable, and regressive or progressive.



Statistical Measures

- o **Accuracy** is measured by the median ratio. The median ratio is the “average” level of assessment for a class of property.
- o **Equity** is measured by the coefficient of dispersion (COD). The COD gives the relative dispersion, or variability of assessments from the median.



Statistical Measures (continued)

- o **Regressivity/Progressivity** is measured by the price-related differential (PRD) . The PRD tells whether low-value properties in a class are over- or under-valued in relation to high-value properties.



Standards

50 IAC 21, the administrative rule governing annual adjustments sets the following standards for assessments:

- o **Accuracy** – The median ratio for any class of property in a township should fall between 90% and 110%.
- o **Equity** - The COD should at $\leq 15\%$ on improved residential property and $\leq 20\%$ on all other classes.



Standards (continued)

- o **Regressivity/Progressivity** – The PRD for any class of property in a township should be between .98 and 1.03



Results of Delaware County Ratio Study Accuracy

- o All classes of property in all townships in the county met the standard for assessment accuracy. However, vacant residential land had median ratios that ranged from a low of 93% to a high of 106% of value across the townships.



Results of Delaware County Ratio Study Equity

- o The COD for vacant residential land in Salem Township was above the standard for assessment equity.



Results of Delaware County Ratio Study Regressivity/Progressivity

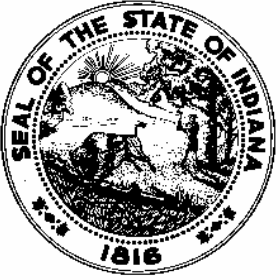
- The PRD for vacant residential land in all but Delaware, Harrison, Liberty, and Monroe Townships was outside the standard.
- The PRD for improved commercial property in Center, Mount Pleasant, and Union Townships was outside the standard.
- The PRD for improved industrial property in Center Township was outside the standard.



Lack of Adjustments to Commercial and Industrial Properties

Analysis of Assessment Changes from 2005 to the 2006 assessment year revealed the following:

- 1) A county-wide analysis of gross assessed values on industrial parcels revealed that approximately sixty-three percent (63%) of these parcels had no change or a decline in assessed values from the 2005 assessment year to the 2006 assessment year.
- 2) A county-wide analysis of gross assessed values on commercial parcels revealed that thirty-eight percent (38%) of these parcels had no change or a decline in assessed values from the 2005 assessment year to the 2006 assessment year.

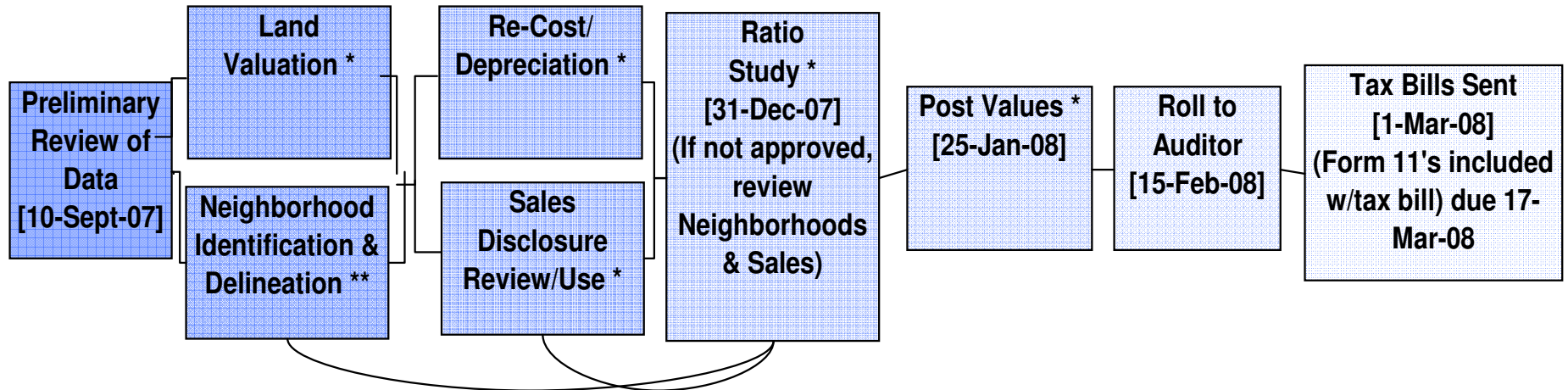


How the Reassessment Will be Handled

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Timeline for Delaware County Reassessment



* DLGF Review and Approval Process

** Report on how Neighborhoods are defined

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Securing a Vendor

- o Delaware County officials will select the vendor to conduct the reassessment through the Special Procurement process
- o Indiana Department of Administration must first approve the Special Procurement process
- o Department of Local Government Finance will have oversight of the vendor
 - o Vendor must be certified under 50 IAC 15-4-1; and
 - o Vendor must include in its contract the provisions required by IC 6-1.1-4-18.5 and IC 6-1.1-4-19.5
- o Checklist for these required contract provisions can be found at <http://www.in.gov/dlgf/local/assessor.html>
- o Special Procurement process is estimated to take 2 to 3 weeks



Commercial and Industrial Properties

o Assumptions:

- o Underlying property data is correct, such as square footage, number of bedrooms, etc.
- o Vendor will not be required to perform the work on the Delaware County computer system
- o Vendor will pull the values into their own system
- o Vendor will be using 2005 pay 2006 Delaware County Assessor Data



Commercial and Industrial Properties

- o Initial process is expected to use an updated cost approach in addition to updating land values:

$$\begin{aligned} &1999 \text{ RCN} \times \text{Cost Factor} = 2005 \text{ RCN} \\ &\quad - \text{Depreciation (6 years)} \\ &\quad = \text{Improvement Market Value} \\ &\quad \times \text{2005 Neighborhood Factor} \\ &\quad = 2005 \text{ Improvement Market Value} \\ &\quad + \text{2005 Land Market Value} \\ &\quad = 2005 \text{ Total Market Value} \end{aligned}$$



Commercial and Industrial Properties

- o Annual Adjustment Factor will be based on Sales Disclosures from 2004 and 2005, with a January 1, 2005 valuation date
- o Department will review and approve the reassessment work throughout the process
- o Reassessment of real property is expected to be completed by December 31, 2007, and assessed values shall be rolled to the County Auditor by February 15, 2008



Residential Properties

- o County Assessor, working with the Township Assessors, will be responsible for the reassessment of residential properties
- o County Assessor may retain a vendor to assist with the reassessment of residential properties
- o Department will review and approve the residential reassessment work throughout the process



Comments & Questions

Please email written comments and questions
regarding the reassessment to:

delawarereassessment@dlgf.in.gov

(No phone comments will be accepted)